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ALBERTA MEDICAL ASSOCIATION
Section of General Practice

SGP BULLETIN

November 25, 2016

Blended Capitation Model - Background Info & Considerations

Dear Family Physician Colleague,

By now, you should have received an email – forwarded on behalf of Alberta Health – containing information about the Expression of Interest (EOI) process for the Blended Capitation Model (BCM) demonstration project.

For many years, both the AMA and the Section of General Practice (SGP) have supported remunerating physicians using different models that appropriately reward physicians for quality patient care. The BCM offers physicians an alternative payment model that is different from fee-for-service and supports the guiding principles of the *Primary Care Compensation Strategy* and the Patient's Medical Home. It provides physicians with the flexibility to work collaboratively with a team of health professionals to coordinate comprehensive health services and ensure continuity of patient care.

Our SGP participants in the Primary Care Physician Compensation Model Working Group have contributed countless hours working with Alberta Health to develop the initial BCM. Family physicians owe a great deal of gratitude to Dr. Tobias Gelber (co-chair), Dr. Allan Bailey and Dr. Peggy Aufricht for all of their work to get the project off the ground.

Is the model perfect? Absolutely not…but neither were Primary Care Networks when we started with them. We do have a pretty good starting model, but both sides agree things may need to change to ensure the model is successful into the future. SGP, on behalf of the AMA, has worked with Alberta Health to develop a collaborative framework that ensures there is a formalized process to deal with any and all issues that may arise.

SGP has also outlined issues that are not yet fully resolved in the Backgrounder below. Please review these carefully (under Considerations). Although there is an understanding that these concerns will be discussed in a timely fashion, we do not know exactly when they will be addressed or improved.

SGP encourages physician groups to also consider the impact of negation. There may be challenges in educating and changing the behaviors of our patients who will opt for convenience medicine for episodic care rather than continuity. Other challenges that

should be considered and discussed include the significant change management and remuneration policies of physician groups.

Presently, there is no additional funding to assist clinics with implementing BCM. Alberta Health has, however, committed to taking the lead to support demonstration clinics with the completion of the EOI, including data analyses and financial modeling. The AMA will also assist physician groups with exploring the benefits, challenges and suitability of the BCM for their practice.

AMA has the following supports in place to help demonstration clinics:

- Towards Optimized Practice (TOP) which assists physicians and practice teams with cultivating a culture of quality improvement, implementing evidence-based practices to enhance care, and building patient-centered medical homes.
- AMA's Practice Management Program (PMP) which provides business consulting support in areas such as practice agreements, management structure and governance.
- AIM Alberta which helps physicians and health care teams apply quality improvement principles to their own practices.

The Alternative Relationship Plan Program Management Office (ARP PMO) will also assist as required.

I encourage you to read though the Backgrounder information below very carefully. It will provide you with a good overview of the model (how it works, why it is being explored, the demonstration project process, supports that are in place, etc.). The Backgrounder also raises some important considerations that physician groups should carefully consider when deciding whether or not to submit an Expression of Interest for the demonstration project.

As always, I look forward to any feedback you may have on this or any other primary care issues. The Section of General Practice will continue to keep you posted on pertinent issues and details through the SGP Bulletin.

Regards,

Dr. Darryl D. LaBuick
President - AMA Section of General Practice

BACKGROUNDER

Blended Capitation (BCM) Model Demonstration Project

This backgrounder provides a description of the Blended Capitation Model and considerations for clinics that are interested in participating in the demonstration project. Participation in the Blended Capitation Model is optional. For additional information about the model, please refer to the Model Elements Report and Frequently Asked Questions distributed with the Expression of Interest.

What is Blended Capitation?

Blended capitation mixes patient-based (capitation) payments and volume-based payments through the fee-for-service system. Primary care physicians who participate in the Blended Capitation Model will be compensated for each of their formally affiliated patients with a fixed capitation payment based on the patient's expected need, as well as receiving a percentage of the patient's fee-for-service utilization, as captured by "shadow billing" within the basket of services. The capitation payment is intended to cover the majority of the patient's health care services and will be received regardless of the number of in-basket services provided during the applicable time period.

Why Blended Capitation?

Blended capitation provides physicians with flexibility to better enable team-based comprehensive care that encourages health promotion, and disease prevention within the medical home/clinic. Through formal affiliation, it incents improved continuity of care between the physician, team and patients, which supports the Patient's Medical Home. Blended capitation also contributes to a more sustainable health system with improved budget predictability.

For several years, the Alberta Medical Association, Alberta Health and Alberta Health Services have been developing a funding model that:

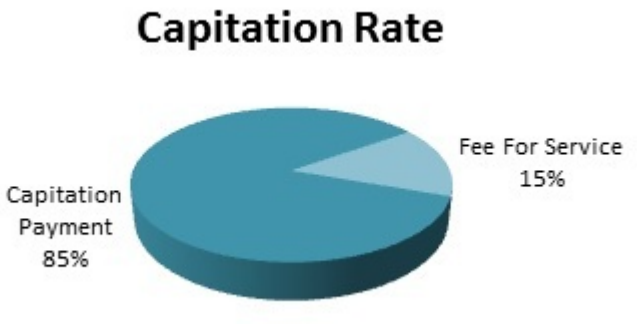
- Is flexible, sustainable and improves the quality of care.
- Supports the guiding principles of the Primary Care Compensation Strategy and the Patient's Medical Home.
- Enables greater budget predictability for primary care services.
- Enables physician accountability for service provision and their service delivery model.

In 2014, an environmental scan of options for primary care compensation provided a structured review of different types of physician compensation models across Canada and around the world. Key findings from the scan included the recommendation that a blended capitation model could address these goals.

Alberta's Blended Capitation Model

A core element of the Blended Capitation Model is patient affiliation which establishes the physician as the patient's most responsible primary care provider and the clinic as the Patient's Medical Home. For affiliated patients, participating physicians will receive a capitation payment of 85% of each patient's capitation rate (determined by the patient's age, gender and clinical risk group) for in-basket services. In addition, participating physicians will receive 15% of any fee-for-service "shadow billings" for in-basket services

up to 100% of the capitation rate. Participating physicians will also receive 100% of any fee-for-service billings for out-of-basket services; hence, “blended capitation”.



Physicians who participate in the Blended Capitation Model will also receive 100% of up to two fee-for-service billings (inclusive of in-basket and out-of-basket services) for unaffiliated patients to encourage affiliation. All other payments (for example, the Business Cost Program and Rural Remote Northern Program) will not change.

If an affiliated patient sees a primary care physician outside of the Blended Capitation Model clinic, the participating physician will receive a financial deduction from the capitation payment for the value of the in-basket service provided. This is also known as negation. The participating physician will be negated for 100%of the cost of the service. If this happens repeatedly over the year, the physician can be negated up to the 85% capitation payment. Physicians will not be negated for services provided by other physicians or team members in their clinic. As well, in-basket services do not include special interest services (for example, obstetrics) and there will be no negation for services provided in the Emergency Department. For the demonstration project, participating clinics will not be negated in the first year but will experience full negation starting in the second year.

Demonstration Project

An 18-month demonstration project is scheduled to begin in February 2017 with five office-based clinics. Based on an ongoing evaluation of the initial five clinics, additional clinics may be added to the demonstration project.

Office-based, comprehensive primary care clinics are eligible for the demonstration project if:

- The clinic has the administrative capability to implement change and measure outcomes;
- The clinic operates out of a single location;
- The clinic has a minimum of three physicians; and
- All of the physicians within the clinic are interested in joining the model.

Clinics with physicians who work in an Emergency Department or urgent care centre in the same community as the clinic are not eligible to participate in the Blended Capitation Model demonstration project at this time.

Participation in the demonstration project is optional and clinics that are considered for the demonstration project will receive predictive financial modeling (i.e. an impact

assessment) prior to committing to the Blended Capitation Model. Alberta Health and the Alberta Medical Association will also provide non-financial change support to implement the Blended Capitation Model during the demonstration project.

Considerations

The Section of General Practice participated in the development of the Blended Capitation Model. However, there are some important concerns that have yet to be resolved. The Section continues to work with Alberta Health on a process to address these items, although full resolution is not guaranteed. Some items to consider as your clinic decides whether to submit an Expression of Interest for the Blended Capitation Model include:

- Participating physicians will receive the 85% capitation payment for each attached patient regardless of the number of services they provide to the patient. While physicians will receive payments for patients who will not require services at all, financial modeling shows that approximately a third of the physician's panel will require a total value of services that will reach or exceed their capitation rate. The capitation rate applies to individual patients and not the entire panel.
- Financial simulations show that approximately 38% of clinics would have increased payments with negation if the clinics had no changes in practice. There would be an average 12.6% increase in funding across the 38% of clinics. Negation in an existing Alberta capitation urban clinic averages 5-10% annually.
- For clinics considered for the demonstration project that receive financial modeling, the modeling simulations do not include the impact of unaffiliated patients.
- Delays in updating the clinical risk groups may under compensate for healthy patients who develop a chronic condition(s) during the delay. The ratio of healthy patients who develop chronic conditions compared to patients which chronic conditions who become healthier is approximately 4:1.
- Shadow billing by the collaborative team will not be included in the 15% fee-for-service component of the capitation rate.
- There are no additional funds available to transition your clinic to the Blended Capitation Model. However, there is no negation for the first year of the demonstration project so some of those funds may be used for transition costs (note that negation will be applied in subsequent years). Clinics that participate in the demonstration project will receive non-financial transition support from implementation teams at Alberta Health and the Alberta Medical Association.
- As the Central Patient Attachment Registry is not yet in place, physicians will be able to submit an initial patient affiliation list which will be verified by Alberta Health using the 4-cut method (the formula estimating attachment that is currently used for Primary Care Network funding). Physicians will receive capitation payments for the "verified" (according to the 4-cut method) patients immediately, however it is the physician's/clinic's responsibility to explain the benefits of affiliation and formally affiliate the patient using a signed affiliation form before the end of the demonstration project. Physicians will receive payments for patients on the initial list who are not verified by the 4-cut method once they are formally affiliated with the signed affiliation form. New patients can also be affiliated using this form.
- Physicians will be reimbursed under fee-for-service for up to two patient encounters before the patient must be affiliated (except for emergency situations which can be

explained via text). Once the initial two interactions have occurred, the physician will not receive compensation for any subsequent services provided unless they affiliate the patient. This applies both for patients who have not yet been affiliated and those who actively decline affiliation. If a patient actively declines affiliation, participating physicians can provide recommendations for alternative physicians within close proximity that are not compensated through the Blended Capitation Model.

- Negation occurs at 100% of the fee-for-service rate, to an annual maximum of 85% of the capitation payment amount. The impact of negation is difficult to simulate accurately, thus it will be closely monitored and evaluated during the demonstration project.
- While fee codes for consults to special interest GPs have not been included in the basket of services, there may be follow-up visits that will be negated.
- Currently, technology does not allow the exclusion of geographic negation. Therefore, participating physicians will be negated for services provided to a patient when the patient seeks service in another community. However, there is no negation during the first year of the demonstration project and geographic negation will be monitored and evaluated.
- Capitation rates may change following the demonstration project.
- A dispute resolution mechanism has not yet been identified for the development and ongoing adjustments to the model, as well as for the clinics during implementation.
- Shared savings from the Blended Capitation Model and mechanisms for model refreshment are under discussion, but have not been formally determined with Alberta Health.

Supports Available to Demonstration Clinics

Alberta Health will take the lead to support demonstration clinics with Expression of Interest, including data analyses and financial modeling. The Alternative Relationship Plan Program Management Office (ARP PMO) will assist as required.

The AMA will also assist physician groups with exploring the benefits and challenges, and suitability of the Blended Capitation Model for their specific practice.

Once a demonstration clinic is approved, Alberta Health will help clinics with orientation to and implementation of the operational components of the model including payments, negation, patient affiliation rosters, and reporting requirements.

Additional resources will be available to support demonstration clinics in implementing practice changes to maximize quality and efficiency improvements enabled through the Blended Capitation Model. These supports may include:

- Towards Optimized Practice (TOP) which assists physicians and practice teams with cultivating a culture of quality improvement, implementing evidence-based practices to enhance care, and building patient-centered medical homes.
- AMA's Practice Management Program (PMP) which provides business consulting support in areas such as practice agreements, management structure and governance.

- AIM Alberta which helps physicians and health care teams apply quality improvement principles to their own practices.
- Colleagues who have effectively implemented practice changes under a capitation model.

Evaluation

The Institute of Health Economics will lead the evaluation for the demonstration project, which will involve the participating physicians. Measures have been identified to analyze access, continuity of care, the provision of comprehensive care, the patient experience, team-based care and system sustainability.

The evaluation will also investigate the impact of the negation methodology (including special interest and geographic negation), unaffiliated patients and transition costs, as well as the process for affiliating patients. Based on the results of the evaluation, the model may be adapted prior to expansion for other clinics.

Contacts

If you have questions about the Blended Capitation Model or demonstration project, please don't hesitate to Jennifer Kwan at jennifer.kwan@albertadoctors.org. Clinics can also contact the Alternative Relationship Plan Program Management Office (inquiries@arppmo.org) for assistance in completing the Expression of Interest.